

VILLAGE OF MENDON, MICHIGAN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

March 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Mendon	County St. Joseph
Audit Date March 31, 2004	Opinion Date May 11, 2004	Date Accountant Report Submitted to State: June 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) NORMAN & PAULSEN P.C.			
Street Address 127 W. Chicago Road		City Sturgis	State MI
Accountant Signature Michael R. Wilson		ZIP 49091	Date

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Combining Statement of Revenue, Expenses, and
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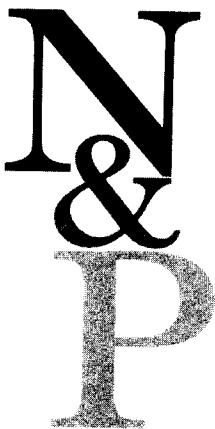
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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Mendon, Michigan

We have audited the accompanying general purpose financial statements of the Village of Mendon, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Norman & Paulsen, P.C.

Certified Public Accountants

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Mendon, Michigan, as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Mendon, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is stated fairly in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2004, on our consideration of Village of Mendon internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

May 11, 2004

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

Norman & Paulsen, P.C.

GENERAL PURPOSE FINANCIAL STATEMENTS

VILLAGE OF MENDON, MICHIGAN

ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
March 31, 2004

	Governmental Fund Types	
	General	Special Revenue
ASSETS		
Cash and cash equivalents	\$ 338,191	\$ 321,955
Receivables		
Special assessments	-	-
Accounts	473	-
Due from other governmental units	28,681	15,299
Due from other funds	11,578	31,508
Due from component unit	314	-
Due from primary government	-	-
Prepaid expenditures	5,485	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-
Amount to be provided for retirement of general long-term debt	-	-
Total assets	<u>\$ 384,722</u>	<u>\$ 368,762</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts payable	\$ 12,421	\$ 6,560
Due to other funds	7,008	39,078
Due to primary government	-	-
Due to component unit	75,499	-
Bonds payable	-	-
Total liabilities	94,928	45,638
FUND EQUITY		
Investment in general fixed assets	-	-
Capital contributions	-	-
Retained earnings		
Reserved	-	-
Unreserved		
Undesignated	-	-
Fund balances		
Reserved	57,325	-
Unreserved		
Designated	-	-
Undesignated	232,469	323,124
Total fund equity	<u>289,794</u>	<u>323,124</u>
Total liabilities and fund equity	<u>\$ 384,722</u>	<u>\$ 368,762</u>

See accompanying notes to financial statements

Proprietary Fund Type	Account Groups		Totals Primary Government (Memo- randum only)	Component Unit Downtown Development Authority	Totals Reporting Entity (Memo- randum only)
Enterprise	General Fixed Assets	General Long-term Debt			
\$ 786,390	\$ -	\$ -	\$1,446,536	\$ 468,291	\$ 1,914,827
1,206,033	-	-	1,206,033	-	1,206,033
22,582	-	-	23,055	-	23,055
-	-	-	43,980	92,261	136,241
3,000	-	-	46,086	-	46,086
-	-	-	314	-	314
-	-	-	-	75,499	75,499
-	-	-	5,485	-	5,485
4,524,208	1,129,032	-	5,653,240	60,858	5,714,098
-	-	-	-	-	-
<u>\$ 6,542,213</u>	<u>\$1,129,032</u>	<u>\$ -</u>	<u>\$8,424,729</u>	<u>\$ 696,909</u>	<u>\$ 9,121,638</u>
\$ 11,534	\$ -	\$ -	\$ 30,515	\$ 10,651	\$ 41,166
-	-	-	46,086	-	46,086
-	-	-	-	314	314
-	-	-	75,499	-	75,499
2,292,000	-	-	2,292,000	-	2,292,000
2,303,534	-	-	2,444,100	10,965	2,455,065
-	1,129,032	-	1,129,032	60,858	1,189,890
3,774,231	-	-	3,774,231	-	3,774,231
240,031	-	-	240,031	-	240,031
224,417	-	-	224,417	-	224,417
-	-	-	57,325	-	57,325
-	-	-	-	-	-
-	-	-	555,593	625,086	1,180,679
4,238,679	1,129,032	-	5,980,629	685,944	6,666,573
<u>\$ 6,542,213</u>	<u>\$1,129,032</u>	<u>\$ -</u>	<u>\$8,424,729</u>	<u>\$ 696,909</u>	<u>\$ 9,121,638</u>

VILLAGE OF MENDON, MICHIGAN

ALL GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
Year Ended March 31, 2004

	General Fund	Special Revenue Funds
REVENUE		
Taxes	\$ 146,205	\$ -
Licenses and permits	5,167	-
State grants	83,953	79,509
Federal grants	9,720	-
Charges for services	5,746	-
Fines and forfeitures	571	-
Rents	70,854	-
Interest	1,404	1,860
Other	6,100	-
Total revenue	329,720	81,369
EXPENDITURES		
Legislative	17,063	-
General government	90,836	-
Public safety	74,843	-
Public works	78,359	58,253
Recreation	3,696	-
Economic development	-	-
Total expenditures	264,797	58,253
EXCESS OF REVENUE OVER EXPENDITURES	64,923	23,116
OTHER FINANCING SOURCES (USES)		
Transfers from other funds	-	19,000
Transfers to other funds	(5,000)	(14,000)
Total other financing sources (uses)	(5,000)	5,000
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	59,923	28,116
FUND BALANCE - BEGINNING OF YEAR	229,871	295,008
FUND BALANCE - END OF YEAR	<u>\$ 289,794</u>	<u>\$ 323,124</u>

See accompanying notes to financial statements

Totals Primary Government (Memorandum only)	Component Unit Downtown Development Authority	Totals Reporting Entity (Memorandum only)
\$ 146,205	\$ 167,759	\$ 313,964
5,167	-	5,167
163,462	-	163,462
9,720	-	9,720
5,746	-	5,746
571	-	571
70,854	-	70,854
3,264	2,676	5,940
6,100	-	6,100
411,089	170,435	581,524
17,063	-	17,063
90,836	-	90,836
74,843	-	74,843
136,612	-	136,612
3,696	-	3,696
-	78,328	78,328
323,050	78,328	401,378
88,039	92,107	180,146
19,000	-	19,000
(19,000)	-	(19,000)
-	-	-
88,039	92,107	180,146
524,879	532,979	1,057,858
\$ 612,918	\$ 625,086	\$ 1,238,004

VILLAGE OF MENDON, MICHIGAN

GENERAL AND SPECIAL REVENUE FUNDS
COMBINED STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
Year Ended March 31, 2004

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
REVENUE			
Taxes	\$ 158,600	\$ 146,205	\$ (12,395)
Licenses and permits	6,250	5,167	(1,083)
State grants	109,230	83,953	(25,277)
Federal grants	-	9,720	9,720
Charges for services	31,500	5,746	(25,754)
Fines and forfeitures	1,550	571	(979)
Rents	42,100	70,854	28,754
Interest	2,500	1,404	(1,096)
Other	14,250	6,100	(8,150)
Total revenue	365,980	329,720	(36,260)
EXPENDITURES			
Legislative	17,850	17,063	787
General government	136,225	90,836	45,389
Public safety	82,525	74,843	7,682
Public works	86,000	78,359	7,641
Recreation	5,700	3,696	2,004
Total expenditures	328,300	264,797	63,503
EXCESS OF REVENUE OVER EXPENDITURES	37,680	64,923	27,243
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	(5,000)	(5,000)	-
Total other financing sources (uses)	(5,000)	(5,000)	-
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	32,680	59,923	27,243
FUND BALANCE - BEGINNING OF Year	229,871	229,871	-
FUND BALANCE - END OF Year	\$ 262,551	\$ 289,794	\$ 27,243

See accompanying notes to financial statements

Special Revenue Funds

Variance
Favorable
(Unfavorable)

Budget

Actual

(Unfavorable)

\$ -	\$ -	\$ -
-	-	-
69,700	79,509	9,809
-	-	-
-	-	-
-	-	-
3,850	1,860	(1,990)
-	-	-
<u>73,550</u>	<u>81,369</u>	<u>7,819</u>
-	-	-
-	-	-
-	-	-
67,300	58,253	9,047
-	-	-
<u>67,300</u>	<u>58,253</u>	<u>9,047</u>
6,250	23,116	16,866
15,000	19,000	4,000
(10,000)	(14,000)	(4,000)
<u>5,000</u>	<u>5,000</u>	<u>-</u>
11,250	28,116	16,866
<u>295,008</u>	<u>295,008</u>	<u>-</u>
<u>\$ 306,258</u>	<u>\$ 323,124</u>	<u>\$ 16,866</u>

VILLAGE OF MENDON, MICHIGAN

ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF REVENUE, EXPENSES, CHANGES IN RETAINED EARNINGS
Year Ended March 31, 2004

	<u>Enterprise Funds</u>
OPERATING REVENUE	\$ 231,611
OPERATING EXPENSES	<u>308,901</u>
OPERATING INCOME (LOSS)	(77,290)
NONOPERATING REVENUE (EXPENSE)	
Interest income	84,568
Interest expense	<u>(114,237)</u>
Net nonoperating revenue (expense)	<u>(29,669)</u>
NET INCOME (LOSS)	(106,959)
DEPRECIATION TRANSFERRED TO CAPITAL CONTRIBUTION	125,000
RETAINED EARNINGS - BEGINNING OF YEAR	<u>446,407</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 464,448</u>

See accompanying notes to financial statements

VILLAGE OF MENDON, MICHIGAN

ALL PROPRIETARY FUND TYPES
COMBINED STATEMENT OF CASH FLOWS
Year Ended March 31, 2004

	<u>Enterprise Funds</u>
Cash flows from operating activities	
Operating income (loss)	\$ (77,290)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation	150,000
(Increase) decrease in Receivables	800
Due from other funds	15,865
Increase (decrease) in Accounts payable	6,981
Due to other funds	<u>(4,210)</u>
Net cash provided by (used in) operating activities	92,146
Cash flows from capital and related financing activities	
Additional contributed capital	18,232
Assessment receipts	76,145
Acquisition of capital assets	(46,360)
Principal payments on bonds	(96,000)
Interest payments on bonds	<u>(114,237)</u>
Net cash (used in) capital and related financing activities	(162,220)
Cash flows from investing activities	
Interest revenue	<u>84,568</u>
Net increase (decrease) in cash	14,494
Cash and cash equivalents	
Beginning of Year	<u>771,896</u>
End of Year	<u>\$ 786,390</u>
See accompanying notes to financial statements	

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Village of Mendon operates a Council-President form of government and provides the following services as authorized by its charter: public safety (police, fire and inspections), highways and streets, sanitation, parks and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the Village of Mendon conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Scope of Reporting Entity:

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The discretely presented component unit has a March 31 year end.

Discretely Presented Component Unit. The Downtown Development Authority is a discretely presented component unit as required by Michigan Committee on Governmental Accounting and Auditing Statement No. 5. The Authority is presented as a governmental fund type.

B. Basis of Presentation - Fund Accounting:

The accounts of the Village are organized on the basis of fund and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report, into the fund types and broad fund categories as follows:

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation - Fund Accounting - Continued

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND

Enterprise Fund - The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ACCOUNT GROUPS

General Fixed Assets Account Group - This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

General Long-term Debt Account Group - This account group presents the unmatured principal of debt obligations of the local unit, and other noncurrent liabilities that are not specific liabilities of proprietary funds.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The major exception to this general rule is principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled Water and Sewer Fund utility service receivables are recorded at year end.

D. FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed asset and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a year. Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-term Debt Account Group, not in the governmental funds.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

D. FIXED ASSETS AND LONG-TERM LIABILITIES - Continued

The noncurrent portion of long-term receivables due to governmental funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources", since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-term Debt Account Group.

Fixed assets purchased and used in Governmental Fund type operations (general fixed assets) are recorded as expenditures in the General and Special Revenue Funds at the time of purchase. Capital assets reflected herein are based on appraisals made some time ago, with subsequent additions made at cost.

The two account groups are not "funds". They are concerned only with the measurement of financial position, not with the measurement of results of operations.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expenses against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

E. ENCUMBRANCE ACCOUNTING

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No reservation of fund balance equal to outstanding encumbrances at year-end is required at March 31, 2004.

F. BUDGETS

Governmental fund types are under formal budgetary control. Budgets shown in the financial statements were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those contained in the formal budget approved by the Village Council. Budget appropriations lapse at year end.

G. PROPERTY TAXES

Village property tax revenues are recognized as revenues in the fiscal Year levied to the extent that they are measurable and available in accordance with NCGA interpretation 3 (Revenue Recognition - Property Taxes). The Village bills and collects its own property taxes. Property taxes attach as an enforceable lien on property as of December 31. Village taxes are levied the following July 1 and are payable without penalty through September 15, at which time uncollected real property taxes are turned over to the county for reimbursement from their revolving tax fund. The Village continues to collect delinquent personal property taxes.

The state taxable value of all real and personal property on which Village tax levies were based for the year ended March 31, 2004, was \$21,686,275 and the millage rate was 9.1643 mills for general operations.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - Continued

H. FUND EQUITY

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designations represent tentative plans for future use of financial resources.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 2 - CASH AND CASH EQUIVALENTS

The Village uses financial institutions for cash and cash equivalent purposes, which are in accordance with statutory authority.

The accounts maintained in the financial institutions are checking, savings, certificates of deposit and investment pool funds.

At March 31, 2004, the carrying amount of the Village's deposits was \$1,446,536 and the bank balance was \$1,450,580. The differences between the balances are the result of checks issued by the Village but not yet presented for payment. The risk exposure of all cash and cash equivalents, at March 31, 2004, is as follows:

Insured	\$ 335,522
Uninsured	<u>137,823</u>
Total cash and cash equivalents	<u>\$ 473,345</u>

The total cash presented on the balance sheet at March 31, 2004, includes \$100 of imprest cash.

The Village's remaining cash and cash equivalents at March 31, 2004, consists of an investment pool, the Government Cash Reserves Fund in the amount of \$977,235, which by definition, are not categorized by risk. The carrying values and market values are the same for these investments.

The carrying amount of deposits for Downtown Development Authority, a discretely presented component unit, was \$468,291 and the bank balance was \$468,291. Of the bank balance \$2,388 is covered by federal depository insurance, and \$-0- is uninsured and uncollateralized.

The remaining cash and cash equivalents at March 31, 2004, consists of an investment pool, the Government Cash Reserves Fund in the amount of \$465,903, which by definition, are not categorized by risk. The carrying values and market values are the same for these investments.

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Vehicle Sinking	General	\$ 4,008
General	Major street	1,696
General	Local street	9,882
Sewer	General	2,784
Water	General	216
Local Street	Major street	27,500
Total		<u>\$ 46,086</u>

NOTE 4 - SUMMARY OF PROPRIETARY FIXED ASSETS

Depreciation expense included in the determination of net earnings reported in the Enterprise Fund amounted to \$150,000. Depreciation is computed by the straight line method over the estimated useful life of the asset. The principal categories of property, plant and equipment reported in the Enterprise Fund at March 31, 2004, are as follows:

Land	\$ 190,950
Sewage system	4,988,165
Water system	<u>340,132</u>
Total cost	5,519,247
Less accumulated depreciation	<u>995,039</u>
Net book value	<u>\$ 4,524,208</u>

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 5 - CHANGES IN GENERAL FIXED ASSETS

Activity in the general fixed assets account group for the Village for the year ended March 31, 2004, was as follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land & improvements	\$ 545,791	\$ -	\$ -	\$ 545,791
Buildings & improvements	277,018	-	-	277,018
Parks and recreation facilities	92,264	-	-	92,264
Equipment & vehicles	213,959	-	-	213,959
Totals	<u>\$1,129,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,129,032</u>

Activity in the general fixed asset account group for the Downtown Development Authority for the year ended March 31, 2004, was as follows:

	Balance April 1, 2003	Additions	Deletions	Balance March 31, 2004
Land	\$ 36,265	\$ -	\$ -	\$ 36,265
Equipment & furniture	18,997	5,596	-	24,593
Totals	<u>\$ 55,262</u>	<u>\$ 5,596</u>	<u>\$ -</u>	<u>\$ 60,858</u>

NOTE 6 - LONG-TERM DEBT

The following is a summary of debt transactions of the Village:

	Balance April 1, 2003	Additions	Reductions	Balance March 31, 2004
Enterprise Funds:				
Special assessment bonds	\$1,755,000	\$ -	\$ 75,000	\$1,680,000
General obligation bonds	560,000	-	15,000	545,000
Revenue bonds	73,000	-	6,000	67,000
Total	<u>\$2,388,000</u>	<u>\$ -</u>	<u>\$ 96,000</u>	<u>\$2,292,000</u>

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 6 - LONG-TERM DEBT - Continued

Debt obligations payable at March 31, 2004, are comprised of the following individual issues:

Enterprise Fund Debt:

1996 Sewage Disposal System Special
Assessment Bonds payable in annual
installments of \$75,000 to \$50,000
through October 1, 2025; interest
at 4.875%, payable semiannually \$ 1,680,000

1996 Sewage Disposal System General
Obligation Bonds payable in annual
installments of \$10,000 to \$40,000
through October 1, 2025; interest
at 4.875%, payable semiannually 545,000

1974 Water Supply System Revenue Bonds
payable in annual installments
of \$1,000 to \$9,000 through
January 1, 2013; interest at
5.0%, payable semiannually 67,000

Total Enterprise Fund Debt \$ 2,292,000

The annual requirements to service Enterprise Fund Debt obligations as of March 31, 2004, are as follows:

Fiscal Year Ended March 31,	Enterprise Fund Debt
2005	96,000
2006	96,000
2007	96,000
2008	96,000
2009	96,000
Thereafter	1,812,000
Total	\$ 2,292,000

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 7 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Village maintains a water fund and a sewer fund to account for water supply and sewage disposal services. Segment information for the year ended March 31, 2004, are as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating revenues	\$ 109,388	\$ 122,223	\$ 231,611
Depreciation expense	125,000	25,000	150,000
Operating income (loss)	(70,842)	(6,448)	(77,290)
Non operating revenues (expenses)	(26,296)	(3,373)	(29,669)
Net income (loss)	(97,138)	(9,821)	(106,959)
Net working capital	792,688	7,686	800,374
Fund equity:			
Contributed capital	3,755,999	18,232	3,774,231
Retained earnings			
Reserved	228,760	11,271	240,031
Unreserved	56,458	167,959	224,417

NOTE 8 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the fund level.

During the year ended March 31, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of appropriations, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
NONE			

VILLAGE OF MENDON

NOTES TO FINANCIAL STATEMENTS - Continued

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENT

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Under the provisions of this GASB standard, which becomes effective for the Village's year ending March 31, 2005, the Village will use business type reporting activity (BTA). BTA reporting will require the Village to present management's discussion and analysis (MD&A) of financial results, a statement of net assets or a balance sheet, a statement of revenue, expenses and changes in net assets, a statement of cash flows, notes to the financial statements, and other required supplementary information. The required basic financial statements described above will be prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial information is not required for BTA reporting.

Financial reporting under GASB 34 will require reporting fund balance as net assets, reporting tax revenues as non-operating income, changing certain financial statement disclosure formats including the property and equipment, and long-term debt disclosures, and including the MD&A. Management has not yet determined the effect of the implementation of this statement on the Village's financial statements.

COMBINING AND INDIVIDUAL FUND STATEMENTS

GOVERNMENTAL FUND TYPES

VILLAGE OF MENDON, MICHIGAN

GENERAL FUND
BALANCE SHEET
March 31, 2004

ASSETS

Cash and cash equivalents	\$ 338,191
Accounts receivable	473
Due from other governmental units	28,681
Due from other funds	11,578
Due from component unit	314
Prepaid expenditures	<u>5,485</u>
Total assets	<u>\$ 384,722</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 12,421
Due to other funds	7,008
Due to component unit	<u>75,499</u>
Total liabilities	94,928

FUND BALANCE

Reserved for road maintenance	57,325
Unreserved, undesignated	<u>232,469</u>

Total fund balance	<u>289,794</u>
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Total liabilities and fund balance	<u>\$ 384,722</u>
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VILLAGE OF MENDON, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended March 31, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUE			
Taxes			
Property taxes	\$ 140,100	\$ 128,766	\$ (11,334)
Tax collection fee	3,000	3,616	616
Penalties and interest	2,000	4,740	2,740
Road maintenance taxes	13,500	9,083	(4,417)
Total taxes	158,600	146,205	(12,395)
Licenses and permits			
Building and zoning permits	3,550	2,654	(896)
CATV franchise fees	2,700	2,513	(187)
Total licenses and permits	6,250	5,167	(1,083)
State grants			
State shared revenue	90,000	83,155	(6,845)
Liquor license fees	1,000	798	(202)
Other	18,230	-	(18,230)
Total state grants	109,230	83,953	(25,277)
Federal grants			
C.O.P.S.	-	9,720	9,720
Charges for services			
Transfer station	5,500	5,746	246
Administrative fees	26,000	-	(26,000)
Total charges for services	31,500	5,746	(25,754)
Fines and forfeitures			
Fines	1,550	571	(979)
Rents	42,100	70,854	28,754
Interest	2,500	1,404	(1,096)
Other			
Miscellaneous	5,700	3,377	(2,323)
Refunds and reimbursements	8,550	2,723	(5,827)
Total other	14,250	6,100	(8,150)
Total revenue	365,980	329,720	(36,260)

VILLAGE OF MENDON, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
Legislative			
Village council	17,850	17,063	787
General government			
Elections	1,250	898	352
Legal and audit	9,000	6,840	2,160
Clerk	1,850	1,401	449
Treasurer	5,900	6,969	(1,069)
Hall and other property	<u>118,225</u>	<u>74,728</u>	<u>43,497</u>
Total general government	136,225	90,836	45,389
Public safety			
Police	77,625	69,578	8,047
Fire	<u>4,900</u>	<u>5,265</u>	<u>(365)</u>
Total public safety	82,525	74,843	7,682
Public works			
Public works	60,900	56,570	4,330
Streets	2,500	-	2,500
Street lighting	14,750	14,032	718
Transfer station	<u>7,850</u>	<u>7,757</u>	<u>93</u>
Total public works	86,000	78,359	7,641

VILLAGE OF MENDON, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued)
Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES (Continued)			
Recreation and cultural Parks	<u>5,700</u>	<u>3,696</u>	<u>2,004</u>
Total expenditures	<u>328,300</u>	<u>264,797</u>	<u>63,503</u>
EXCESS OF REVENUE OVER EXPENDITURES	37,680	64,923	27,243
OTHER FINANCING USES Operating transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES	32,680	59,923	27,243
FUND BALANCE - BEGINNING OF YEAR	<u>229,871</u>	<u>229,871</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 262,551</u>	<u>\$ 289,794</u>	<u>\$ 27,243</u>

VILLAGE OF MENDON, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
March 31, 2004

	Major Street Fund	Local Street Fund	Vehicle Sinking Fund	Totals
ASSETS				
Cash and cash equivalents	\$ 281,513	\$ 39,381	\$ 1,061	\$ 321,955
Due from other funds	-	27,500	4,008	31,508
Due from other governmental units	11,238	4,061	-	15,299
Total assets	<u>\$ 292,751</u>	<u>\$ 70,942</u>	<u>\$ 5,069</u>	<u>\$ 368,762</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 6,274	\$ 286	\$ -	\$ 6,560
Due to other funds	29,196	9,882	-	39,078
Total liabilities	35,470	10,168	-	45,638
FUND BALANCE				
Unreserved, undesignated	257,281	60,774	5,069	323,124
Total liabilities and fund balance	<u>\$ 292,751</u>	<u>\$ 70,942</u>	<u>\$ 5,069</u>	<u>\$ 368,762</u>

VILLAGE OF MENDON, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended March 31, 2004

	Major Street Fund	Local Street Fund	Vehicle Sinking Fund	Totals
REVENUE				
State grants	\$ 58,443	\$ 21,066	\$ -	\$ 79,509
Interest	<u>1,573</u>	<u>272</u>	<u>15</u>	<u>1,860</u>
Total revenue	60,016	21,338	15	81,369
EXPENDITURES				
Public works	<u>33,451</u>	<u>24,802</u>	<u>-</u>	<u>58,253</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	26,565	(3,464)	15	23,116
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	14,000	5,000	19,000
Operating transfers out	<u>(14,000)</u>	<u>-</u>	<u>-</u>	<u>(14,000)</u>
Net other financing sources (uses)	<u>(14,000)</u>	<u>14,000</u>	<u>5,000</u>	<u>5,000</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	12,565	10,536	5,015	28,116
FUND BALANCE - BEGINNING OF YEAR	<u>244,716</u>	<u>50,238</u>	<u>54</u>	<u>295,008</u>
FUND BALANCE -END OF YEAR	<u>\$ 257,281</u>	<u>\$ 60,774</u>	<u>\$ 5,069</u>	<u>\$ 323,124</u>

VILLAGE OF MENDON, MICHIGAN

MAJOR STREET FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE			
State grants	\$ 51,200	\$ 58,443	\$ 7,243
Interest	<u>3,000</u>	<u>1,573</u>	<u>(1,427)</u>
Total revenue	54,200	60,016	5,816
EXPENDITURES			
Public works	<u>36,350</u>	<u>33,451</u>	<u>2,899</u>
EXCESS OF REVENUE OVER EXPENDITURES	17,850	26,565	8,715
OTHER FINANCING USES			
Operating transfers out	<u>(10,000)</u>	<u>(14,000)</u>	<u>(4,000)</u>
EXCESS OF REVENUE OVER EXPENDITURES AND OTHER USES	7,850	12,565	4,715
FUND BALANCE - BEGINNING OF YEAR	<u>244,716</u>	<u>244,716</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 252,566</u>	<u>\$ 257,281</u>	<u>\$ 4,715</u>

VILLAGE OF MENDON, MICHIGAN

LOCAL STREET FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE			
State grants	\$ 18,500	\$ 21,066	\$ 2,566
Interest	<u>750</u>	<u>272</u>	<u>(478)</u>
Total revenue	19,250	21,338	2,088
EXPENDITURES			
Public works	<u>30,950</u>	<u>24,802</u>	<u>6,148</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(11,700)	(3,464)	8,236
OTHER FINANCING SOURCES			
Operating transfers in	<u>12,500</u>	<u>14,000</u>	<u>1,500</u>
EXCESS OF REVENUE AND OTHER SOURCES OVER EXPENDITURES	800	10,536	9,736
FUND BALANCE - BEGINNING OF YEAR	<u>50,238</u>	<u>50,238</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 51,038</u>	<u>\$ 60,774</u>	<u>\$ 9,736</u>

VILLAGE OF MENDON, MICHIGAN

VEHICLE SINKING FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE			
Interest	\$ 100	\$ 15	\$ (85)
OTHER FINANCING SOURCES			
Operating transfers in	<u>2,500</u>	<u>5,000</u>	<u>2,500</u>
EXCESS OF REVENUE AND OTHER SOURCES	2,600	5,015	2,415
FUND BALANCE - BEGINNING OF YEAR	<u>54</u>	<u>54</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,654</u>	<u>\$ 5,069</u>	<u>\$ 2,415</u>

PROPRIETARY FUND TYPES

VILLAGE OF MENDON, MICHIGAN

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
March 31, 2004

	Sewer Fund	Water Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 774,339	\$ 12,051	\$ 786,390
Receivables			
Accounts	12,223	10,359	22,582
Special assessments	95,936	-	95,936
Due from other funds	2,784	216	3,000
Total current assets	885,282	22,626	907,908
FIXED ASSETS			
Land	93,500	97,450	190,950
Sewage system	4,988,165	-	4,988,165
Water system	-	340,132	340,132
Total fixed assets	5,081,665	437,582	5,519,247
Less accumulated depreciation	(808,233)	(186,806)	(995,039)
Net fixed assets	4,273,432	250,776	4,524,208
OTHER ASSETS			
Special assessments receivable	1,110,097	-	1,110,097
Total assets	<u>\$ 6,268,811</u>	<u>\$ 273,402</u>	<u>\$6,542,213</u>

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Totals</u>
CURRENT LIABILITIES			
Current maturities of long-term debt	\$ 90,000	\$ 6,000	\$ 96,000
Accounts payable	2,594	8,940	11,534
Due to other funds	-	-	-
Total current liabilities	92,594	14,940	107,534
LONG-TERM DEBT, less current maturities			
	<u>2,135,000</u>	<u>61,000</u>	<u>2,196,000</u>
Total liabilities	2,227,594	75,940	2,303,534
FUND EQUITY			
Contributed capital	3,755,999	18,232	3,774,231
Retained earnings			
Reserved			
Maintenance	27,520	-	27,520
Bond retirement	201,240	11,271	212,511
Undesignated	<u>56,458</u>	<u>167,959</u>	<u>224,417</u>
Total retained earnings	<u>285,218</u>	<u>179,230</u>	<u>464,448</u>
Total fund equity	<u>4,041,217</u>	<u>197,462</u>	<u>4,238,679</u>
Total liabilities and fund equity	<u>\$6,268,811</u>	<u>\$ 273,402</u>	<u>\$6,542,213</u>

VILLAGE OF MENDON, MICHIGAN

ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Year Ended March 31, 2004

	Sewer Fund	Water Fund	Totals
OPERATING REVENUE			
Billings	\$ 107,042	\$ 116,367	\$ 223,409
Hook-ups	-	750	750
Hydrant rental	-	2,596	2,596
Other	2,346	2,510	4,856
Total operating revenue	109,388	122,223	231,611
OPERATING EXPENSES			
Salaries	9,170	18,776	27,946
Fringe benefits	1,350	2,234	3,584
Operating supplies	894	4,564	5,458
Administration	6,139	8,103	14,242
Professional services	2,434	1,830	4,264
Repairs and maintenance	10,135	3,535	13,670
Insurance	8,411	8,696	17,107
Utilities	4,264	12,333	16,597
Equipment rental	12,433	42,723	55,156
Miscellaneous	-	877	877
Depreciation	125,000	25,000	150,000
Total operating expenses	180,230	128,671	308,901
OPERATING INCOME (LOSS)	(70,842)	(6,448)	(77,290)
NONOPERATING REVENUE (EXPENSE)			
Interest income	84,366	202	84,568
Interest expense	(110,662)	(3,575)	(114,237)
Net nonoperating revenue (expense)	(26,296)	(3,373)	(29,669)
NET INCOME (LOSS)	(97,138)	(9,821)	(106,959)
DEPRECIATION TRANSFERRED TO CONTRIBUTED CAPITAL	125,000	-	125,000
RETAINED EARNINGS - BEGINNING OF YEAR	257,356	189,051	446,407
RETAINED EARNINGS - END OF YEAR	\$ 285,218	\$ 179,230	\$ 464,448

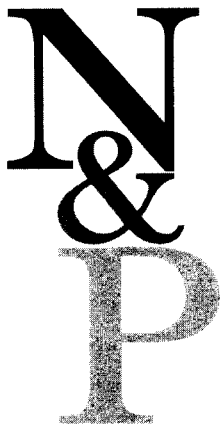
VILLAGE OF MENDON, MICHIGAN

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

Year Ended March 31, 2004

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Totals</u>
Cash flows from operating activities			
Operating income (loss)	\$ (70,842)	\$ (6,448)	\$ (77,290)
Adjustments to reconcile operating income to net cash cash provided by operating activities			
Depreciation	125,000	25,000	150,000
(Increase) decrease in			
Receivables	615	185	800
Due from other funds	2,581	13,284	15,865
Increase (decrease) in			
Accounts payable	274	6,707	6,981
Due to other funds	<u>-</u>	<u>(4,210)</u>	<u>(4,210)</u>
Net cash provided by operating activities	57,628	34,518	92,146
Cash flows from capital and related financing activities			
Additional contributed capital	-	18,232	18,232
Assessment receipts	76,145	-	76,145
Acquisition of capital assets	-	(46,360)	(46,360)
Principal payments on bonds	(90,000)	(6,000)	(96,000)
Interest payments on bonds	<u>(110,662)</u>	<u>(3,575)</u>	<u>(114,237)</u>
Net cash (used in) capital and related financing activities	(124,517)	(37,703)	(162,220)
Cash flows from investing activities			
Interest revenue	<u>84,366</u>	<u>202</u>	<u>84,568</u>
Net increase (decrease) in cash	17,477	(2,983)	14,494
Cash and cash equivalents			
- beginning of Year	<u>756,862</u>	<u>15,034</u>	<u>771,896</u>
Cash and cash equivalents			
- end of Year	<u>\$ 774,339</u>	<u>\$ 12,051</u>	<u>\$ 786,390</u>



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the Village Council
Village of Mendon, Michigan

We have audited the general purpose financial statements of the Village of Mendon, Michigan, as of and for the year ended March 31, 2004, and have issued our report thereon dated May 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Norman & Paulsen, P.C.

Certified Public Accountants

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Compliance - As part of obtaining reasonable assurance about whether Village of Mendon's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Village of Mendon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely year by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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This report is intended for the information of the Village Council and Management, and is not intended to be and should not be used by anyone other than those specified parties.

May 11, 2004

Norman & Paulsen, P.C.